

would willingly pay per-call compensation of more than \$.35 to PSPs for receiving subscriber 800 calls from payphones.

D. The New Default Rate Should Be A Flat Uniform Nationwide Rate, With No Automatic Revisions.

Other IXCs²² agree with Sprint's view that the new default rate should be a uniform nationwide rate and should not be allowed to vary from one phone to the next. Notably, APCC (at 10) prefers a uniform rate as well. Furthermore, there is no basis for a mechanism to periodically adjust the rate upward. If the Commission bases the rate on costs that include fixed costs of the PSPs, as traffic volumes grow over time, unit costs should decline. Thus, there would be no basis for automatic upward adjustments. On the other hand, setting the rate at the level recommended by Sprint would not be such an inordinate expense on IXCs that they could be expected to insist on frequent downward adjustments in the level of the charge. Thus, a nationwide uniform cost-based rate, once established, can be expected to be a viable rate for the indefinite future.

II. INTERIM COMPENSATION FOR SUBSCRIBER 800 AND ACCESS CODE CALLS

With respect to interim compensation, five principal issues are raised in the comments: whether there should be any interim compensation plan at all, the appropriate per-call rate, the number of calls to apply the rate to, the entities that should be required to pay interim compensation, and the method of distributing such compensation among such entities. Sprint will address each of these issues in turn.

²² See AT&T at 16-18; and MCI at 5.

A. Should There Even Be Interim Compensation?

Sprint agrees with those parties²³ who argue that the Commission was not required to have an interim compensation plan in effect before carriers were in a position to implement per-call compensation. At the same time, Sprint believes that it was within the Commission's discretion to institute an interim compensation plan, so long as such a plan was based on a fair level of compensation and the burdens of that plan were spread equitably among all carriers receiving calls from payphones. If the Commission, on remand, can fashion a revised interim plan that satisfies these criteria, Sprint would not object to revising interim compensation.²⁴ If, however, the Commission cannot fashion a plan that is fair to all concerned, then there are sound equitable reasons for deciding, on remand, to dispense with interim compensation entirely. See e.g., Frontier at 10-11; MCI at 6.

B. Any Revised Interim Plan Should Be Based On A Cost-Based Default Rate

There is widespread consensus, at least among those parties that favor a revised interim plan, for using the default rate that the Commission adopts on remand as a basis for revising the level of interim compensation. Sprint would add only one caveat – that the default rate must be based on costs. If the Commission, on remand, attempts to fashion a default rate based upon a “market-based” approach, and the resulting rate is greater than the initial \$.35 rate, then the Commission should not apply the new default

²³ See e.g., Frontier at 9; and MCI at 6.

²⁴ The issue of whether the Commission can and should make a revised interim plan effective on a retroactive basis is separately considered in Section V below.

rate to the interim period. As discussed above, the Commission's orders rejected use of anything other than costs as the appropriate measure for per-call compensation. Its rejection of market-based measures was not appealed by the PSPs (even though they did appeal other issues), and no PSP argued on any other basis that the Commission's per-call rate was too low. Thus, the payors of compensation had no reason to believe that the Commission would ever revise the compensation for the interim period at a level above \$.35 per call. Unless or until the FCC gives proper notice of its intent to effect a fundamental change to its approach to per-call compensation, the carriers obligated to pay interim compensation should not be unfairly saddled with such a new approach on a retroactive basis.

C. The Number Of Compensable Calls To Be Used

Sprint agrees with those parties²⁵ that the Commission should use the same call volume – 131 per month – that it used previously. APCC (at 17-18) argues that if the Commission revises its interim level of flat rate compensation it should use APCC's reported 152 calls per payphone per month instead. Communications Central likewise argues (at 20-21) that its current volume (157 calls per month) should be used. Peoples (at 15) also reports an increase in call volume (to 139 calls per month) and seeks an increase in the per payphone interim rate to reflect the volume increase.²⁶

Sprint objects to any increase in the number of compensable calls per phone for purposes of revised interim compensation. To begin with, as indicated in Sprint's initial

²⁵ MCI at 6; AT&T at 19-20; and RBOCs at 33.

²⁶ See also Teleleasing at 11 (also reporting an increase in the number of compensable calls).

comments (n. 11 at 12) there is substantial reason to believe the original figure of 131 calls per phone per month was overstated. This concern is shared by the International Telecard Association (“ITA”) (at 11). Furthermore, the RBOCs, whose data were also factored into the Commission’s earlier estimate, and which account for the vast majority of payphones, have not furnished updated data for their payphones. These entities do not have the reputation of leaving money on the table. Thus, their willingness to continue to use an estimate of 131 calls per month suggests that they are currently experiencing lower average volumes of calls.

In addition, there is no reason to believe that the data provided by the other entities is reflective of either the industry as a whole or even non-LEC payphone providers. The APCC study is based on data for only 23 PSPs, and while these PSPs operate more than 100,000 phones, the data in question come from only 4,400 phones. APCC Comments, Attachment 4, p. 1. Nothing in the SMDR project, as described in APCC’s Attachment 4, even purports to indicate that these 4,400 phones were based on a random sample or that the 23 members participating in the project constitute a random sample of APCC’s entire membership. These entities have a built-in incentive to select only their highest volume payphones (or at least those generating the highest volume of compensable calls) for inclusion in this study, so as to build a case for greater interim compensation.

While Sprint is willing to acquiesce in the estimate of 131 calls per phone utilized in the Commission’s previous orders for purposes of a revised interim plan, since it did not challenge this figure previously either on reconsideration or on judicial review, Sprint does not waive its rights to challenge any revised figure adopted by the Commission in its

order on remand. Unless the Commission can demonstrate that any such revised figure is based upon industry-wide per-phone call data or, at the very least, a statistically valid sampling of payphones, it cannot justifiably increase the number of monthly calls on which the interim rate is based.

D. Entities Required To Participate In A Revised Interim Compensation Plan

Many parties share Sprint's view that all carriers receiving access code or subscriber 800 calls from payphones, including LECs, should be subject to any revised interim compensation plan.²⁷ The RBOCs (at 34-35) argue for including LECs and smaller IXC as payors of interim compensation but would exempt carriers with toll revenues of less than \$1 million per month, and Excel/Telco (at 5-6) similarly would exempt carriers whose payments or percentages fall below some unspecified de minimis threshold. However, TRA argues (at 5-16) that the Commission should confine interim compensation only to the four largest IXCs.

The Commission should reject TRA's proposal out of hand. In IPTA, the Court explicitly faulted the Commission for having limited the class of payors of interim compensation to 22 IXCs. To limit that class even further would fly in the face of the Court's decision and only invite further judicial reversal. It is apparent that TRA's quarrel is with the Court, claiming (at 5) that the Court "was obviously mistaken in its understanding..." TRA's arguments to the Commission largely reiterate those it

²⁷ See e.g., AT&T at 20-22; MCI at 6; LCI at 9-10; GCI at 2-3; CWI at 14; CompTel at 14; WorldCom at 6; MIDCOM at 8-9; and Frontier at 12-13.

presented to the Court.²⁸ Having failed to persuade the Court the first time around, TRA should have sought rehearing rather than inviting the Commission to commit further reversible error on remand.

There is only one point made by TRA that requires further response. TRA claims (at 6-7) that the four major IXC's have already been assessing surcharges on their reseller customers for payphone originated calls, and thus such resellers have already been contributing indirectly to the interim compensation plan. In this regard, TRA (n. 13 at 7) specifically points to a Sprint tariff. It is true that Sprint has tariffed a surcharge applicable to reseller customers for payphone-originated calls in an effort to pass on (as was contemplated by the Commission's orders in this proceeding) its payphone compensation costs to its customers. However, the fact is that few resellers of Sprint have been paying this surcharge in a timely manner. Moreover, if Sprint's interim compensation obligations are ultimately reduced by the Commission's order on remand, Sprint will undertake to reflect such reduction appropriately to its reseller customers, including forgiving the surcharge entirely if the Commission's actions on remand warrant such action on Sprint's part. None of the other "Big Four" IXC's, to Sprint's knowledge, have imposed a similar surcharge on their reseller customers. Thus, there is little likelihood that if all carriers are brought into the compensation pool on remand that resellers will have been required to "pay twice."

Finally, Sprint opposes the suggestions of the RBOCs and Excel/Telco that carriers with less than \$1 million per month in toll revenues or that otherwise fall below

²⁸ See Final Brief of Intervenor The Telecommunications Resellers Association at 2-10.

some de minimis threshold should be exempted from the interim plan. All carriers obligated to pay compensation on a per-call basis – that is, all switch-based carriers – should be obligated to pay interim compensation as well. No substantial reason has been offered for exempting any such carrier from its payment obligations simply because of its size.

E. The Basis For Allocating Interim Compensation Among Payors

Many commenting parties still urge the Commission to use toll revenues as a basis for allocating interim compensation among the carriers subject to the compensation requirement.²⁹ However, none of these parties demonstrates the Court-required nexus between toll revenues and the number of payphone-originated calls. Certain of these parties would allow carriers who can do so to pay on a per-call basis or would exempt carriers that receive no such calls.³⁰ These proposals do not cure the defects inherent in the use of toll revenues. Some carriers that receive relatively few calls from payphones, and thus are unfairly disadvantaged by the use of toll revenues, may not have had tracking systems in place during the interim period to enable them to pay on a per-call basis. Similarly, exempting carriers who received no such calls at all does not cure the injustice of using toll revenues to measure obligations of carriers who received far fewer calls than their proportionate share of toll revenues.

Many other parties, including Cable and Wireless at 14, CompTel at 16, Frontier at 13, MIDCOM at 9, and GCI at 3-4, argue that toll revenues cannot be used and that

²⁹ See AT&T at 20-22; Excel/Telco at 5-6; RBOCs at 34; and WorldCom at 6.

³⁰ Excel/Telco at 6-7; and WorldCom at 6-7.

there must be a basis that clearly relates to the number of calls originated from payphones. GCI proposes using total (as opposed to payphone originated) dial-around calls and subscriber 800 calls as a much closer approximation than toll revenues. However, it is not clear whether all the carriers required to pay interim compensation keep track of the number of such calls. Moreover, IXC's cannot distinguish 10XXX-0+ calls from 0+ calls. MIDCOM proposes using either actual payphone originated call data for the interim period or requiring carriers to submit a good faith estimate of the number of calls. Sprint believes that this is a step in the right direction,³¹ but that Sprint's proposal (Comments at 12-14) would lead to far better results. Specifically, Sprint proposes that each carrier required to pay per-call compensation keep track of the number of compensable calls it handles for the first full calendar month of per-call compensation (November 1997) and divide that by the total number of payphone ANIs reported on the LEC ANI lists. This would yield the number of compensable calls per ANI that could be applied to the past period to determine the amount for which each PSP is eligible, and would remove the danger, inherent in MIDCOM's proposal, that some carriers' estimates might not be made in the best of faith.

III. INTERIM COMPENSATION FOR 0+ CALLS

Sprint believes there is much merit in the arguments of Frontier (at 13-14) and MCI (at 8) that there is no need to award RBOCs 0+ compensation during the interim period. As MCI points out, it is close to the end of the interim period and yet many of the RBOCs have not yet proven their eligibility for any interim compensation. Furthermore,

³¹ However, few if any carriers can be expected to have tracked such calls during the interim period.

if, as MCI asserts is the case with BellSouth, RBOCs impose a surcharge on location providers when the provider does not choose the RBOC's preferred carrier, there is no reason to believe the RBOCs have not been "fairly" compensated. If, however, the Commission determines to award compensation for 0+ calls during the interim, then not only the RBOCs, but also other LECs that permitted presubscription of their payphones, should be eligible for such compensation unless (like BellSouth) they are already compensated by imposing an additional charge on premises owners that presubscribe to the LEC's non-preferred carrier.

Sprint does not agree with APCC (at 27) that independent payphone providers who are not compensated by the 0+ provider should also be eligible for interim compensation. LECs who permitted presubscription of their payphones, whether voluntarily or by compulsion of court order, stand on a different footing than IPPs in this respect. During this time, LECs were in the dual role of access provider to IXCs as well as providers of regulated payphones whose costs were in part covered by the access charges that IXCs pay. Under those circumstances, the independent LECs believed in good faith that presubscription of their payphones was the only course of action consistent with their equal access and nondiscrimination obligations towards their IXC customers. The IPPs are in an entirely different posture. If they placed their phones in circumstances where the premises owner selected and contracted directly with an IXC, they did so voluntarily and cannot be presumed to have been unfairly compensated.

Another complicating factor in deciding whether to award compensation for 0+ calls for interim period is to arrive at a basis for deciding which carriers should pay and how much they should pay. Frontier (at 14) shares Sprint's view that only carriers that

actually handle such 0+ calls should be obligated to pay interim compensation. However, it appears that many carriers that handled such calls did not keep the records necessary to enable them to pay on a per-call basis. See MCI at 9; WorldCom at 7-8. The RBOCs assert that the RBOCs and GTE average 24 calls per station per month. See RBOC Comments, Andersen at 15-16. However, no backup or individual carrier data are provided, nor is there any description of how this information was furnished to Andersen. Nor does the Andersen report indicate how those calls were distributed among IXC's. Without such information, the Commission cannot engage in a fair system of interim compensation for 0+ calls.

IV. INTERIM COMPENSATION FOR CALLS FROM INMATE PHONES

The same considerations relating to compensation for 0+ calls from LEC phones apply with equal force to inmate phones. Moreover, it is Sprint's understanding that the vast preponderance of inmate phones are placed by competitive bidding procedures, procedures that often contemplate that the contract for 0+ calls will be awarded to a different service provider than the party providing the payphone. Any payphone provider choosing to place its phones under these circumstances must be presumed to be fairly compensated for the costs of placing its phone, since it was under no compulsion to enter the competitive bidding process in the first place. Thus, Sprint believes there is ample justification for declining to award any interim compensation for calls from inmate phones.

V. RETROACTIVE ADJUSTMENTS TO INTERIM COMPENSATION LEVELS AND OBLIGATIONS

CompTel (at 8-10) and WorldCom (at 8-9) argue that the Commission has no authority to make retroactive adjustments to interim compensation, since such action would constitute retroactive rulemaking that was prohibited (in the absence of special statutory authority) in Bowen v. Georgetown University Hospital, 488 U.S. 204 (1988). However, well before Bowen, the Supreme Court established, in United Gas Improvement Co. v. Callery Properties, Inc., 382 U.S. 223 (1969), that agencies have the power to correct for errors in prior orders. There, the Court affirmed the determination of an agency that otherwise had no reparations authority to effect retroactive rate adjustments to correct for errors in the agency's earlier order. The Bowen case neither expressly, nor by implication, overruled Callery. In Bowen, the Court addressed an entirely different factual situation: the Secretary of Health and Human Services had purported to adopt a rule in 1981 without instituting a notice and comment rulemaking proceeding. A district court struck down the rule as facially invalid because of the lack of proper procedure. Subsequently, the Secretary, in 1984, issued an NPRM and later readopted the same rule it unlawfully promulgated earlier, and purported to make that rule effective back to 1981. The 1984 adoption of the rule was invalidated by the Court as impermissible retroactive rulemaking. That case is clearly distinguishable on its facts from the case here at issue. Here, the Commission did follow the required notice and comment procedures, but the substance of the rule was invalidated by the Court. Thus, this case is simply a garden variety case in which the Commission committed substantive error and now must correct for that error, as Callery empowers it to do. The Callery

doctrine is alive and well after Bowen. See Western Resource, Inc. v. FERC, 72 F.3rd 147 (D.C. Cir. 1995).

As indicated in its initial comments, Sprint believes the Commission not only can, but must implement a revised interim plan, as discussed Section II above, on a retroactive basis. Only in this fashion can the larger IXCs be made whole for the unjustified excessive burden that was placed on them by the original interim plan.

APCC argues (at 26) that if the new default rate is set above \$.35 it should be given retroactive effect, but otherwise argues (at 18-19) retroactive relief is unjustified because of the filed rate doctrine and the prohibition on retroactive ratemaking. APCC ignores the fact there is no tariff (to which the filed rate doctrine is tied) for per-call compensation, and that the prohibition against retroactive ratemaking does not apply to the correction of unlawful agency action.

APCC also argues (at 20-24) that the FCC has discretion whether to give retroactive relief, and that the equities favor PSPs (assuming the per-call rate is decreased) because of the Commission's past refusal to award them compensation for 800 calls prior to the passage of the 1996 Act,³² because PSPs have made business decisions in reliance on the original interim compensation, and because IXCs have allegedly raised rates to cover their costs.

Sprint believes that if the Commission finds (as Sprint believes it should) that the initial interim compensation plan resulted in excessive payments to PSPs, then it would

³² Alternatively, APCC argues (at 25-26) that if there is retroactive revision of compensation, there should also be retroactive compensation for subscriber 800 calls going back to 1992.

be an abuse of the Commission's discretion not to order a full retroactive true-up.³³ The fact that some IXCs may have made rate adjustments to cover potential liabilities under the interim plan does not mean that they will be unjustly enriched by such a true-up. With the vigorous competition that takes place in the long distance industry, the IXCs can be expected to more than offset any temporary windfall through future reductions in their toll rates, as has been the case with reductions in access charges.³⁴ Furthermore, the PSPs have no equitable claim to an excessive level of compensation during the interim period by virtue of their alleged deprivation of compensation for subscriber 800 calls between 1992 and 1996. They were on notice from the NPRM in this proceeding that the Commission intended its determinations herein to address the Court's remand in the Florida Payphone case (see 11 FCC Rcd 6716, 6759-60 (1996)). The Commission's orders herein made no provision for compensation for subscriber 800 calls prior to November 7, 1996, and APCC, while appealing other aspects of the orders, did not challenge the Commission's failure to grant such relief. Finally, because of pending court challenges, the interim compensation aspects of the Commission's orders never became "final" (see Callery, *supra*, 382 U.S. at 229). Any PSPs that acted in reliance on those orders did so at their own risk.

³³ Likewise, if the Court of Appeals rules, in response to a pending motion for clarification, that it did not intend to vacate the compensation portions of the Commission's orders, and the Commission, on remand, lowers the default per-call rate but acts after October 7, 1997, the Commission must make the new per-call rate retroactive as well.

³⁴ Jim Lande, Industry Analysis Division, Common Carrier Bureau, "Telecommunications Industry Review: TRS Fund Worksheet Data," December 1996, at 9.

Peoples (at 14-15) similarly argues against any retroactive reduction in compensation for the interim period, based on the Commission's alleged failure to increase the per-line compensation in CC Docket No. 91-35 to reflect an increase in the interstate access calls made from payphones and to take into account intrastate access code calling as well. However, prior to the 1996 Act, the Commission had no authority whatsoever to award compensation based on intrastate calling and, as for interstate calling, the Commission's unappealed determination to terminate the proceedings in CC Docket 91-35 forecloses the relief Peoples seeks.

VI. OTHER ISSUES

Several parties raise other issues that are not within the scope of the Court's remand and therefore, in Sprint's view, not properly before the Commission at this time. However, Sprint will address those issues briefly. USTA argues that LECs need additional time and guaranteed cost recovery for providing payphone-specific ANI digits to PSPs as required by the Commission's previous orders. USTA has slept on its rights. It did not seek reconsideration of the Commission's determination nor challenge that determination on judicial review. There is no need or reason to address USTA's comments in the remand proceeding.

Several parties in the paging industry, as indicated earlier (Section I.C.), have urged the Commission to give renewed consideration to a calling party pays approach to payphone compensation. While the Commission's determination on this issue was affirmed by the Court and thus is not properly before the Commission for further action on remand, if the Commission decides to reopen its fundamental premise that payphone compensation should be cost based, and instead wishes to consider a "market-based"

approach, then it should couple such action with consideration of calling party pays, in order to give its notions of the market a true marketplace test. For that reason, we would recommend a notice of proposed rulemaking that encompasses both market based pricing and calling party pays. However, there would be no need for such action if the Commission adopts a compensation level consistent with Sprint's comments in Section I.A. or I.B.

A few parties wish to put restrictions on the IXC's ability to pass through their per-call compensation costs. ITA argues (at 12-14) that the Commission should narrow the flexibility it previously granted to IXCs to pass on their payphone compensation costs to their customers, and claims that one IXC has attempted to over-recover its interim compensation costs from its reseller customers (at 13-14). ITA neglects to point out, however, that it has a formal complaint pending against Sprint on this issue. This issue is not part of the Court's remand, was not raised in the Public Notice, and should properly be dealt with the context of ITA's complaint.

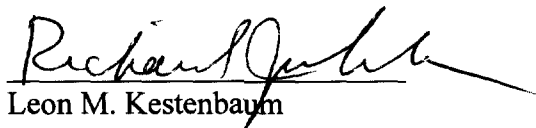
AirTouch Paging argues (at 8-10) that because some payphones do not provide unique identifying ANI digits, there is no way to effectively block calls received from payphones³⁵ and that until such blocking becomes available, IXCs should not be permitted to pass their payphone compensation costs onto paging companies. This argument turns any notion of equity on its head. IXCs are not voluntarily paying per-call compensation. It is instead a regulatory mandate of this Commission that IXCs pay such compensation. IXCs must be able to pass on the costs of this compensation to their

³⁵ See also, Paging Network at 8.

customers, whether or not they can block calls from payphones. However, Sprint and other IXC's are sensitive to the desires of their customers to have the option of blocking calls from payphones. AT&T has already filed tariffs providing for a blocking option (see AT&T's August 13, 1997 ex parte letter, Attachment at 6 (n.9)), and Sprint expects to begin to offer blocking capabilities to its customers in the near future.³⁶ However, these blocking options should not have the effect of precluding paging customers of receiving calls from phones other than payphones. If the payphone does not generate an ANI digit that uniquely identifies it as a payphone, then no compensation is due for calls placed from that phone. As a result, when the blocking option is offered, paging customers can utilize the option, knowing that it will not screen out calls from non-payphone locations and that it will shield them from calls for which compensation is required.

Respectfully submitted,

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September 9, 1997

³⁶ AirTouch is correct that selective call blocking – blocking of calls from certain payphones based on the compensation rate – is a far more complex matter, and that is one reason why Sprint has urged the Commission, on remand, to adopt a uniform compensation rate.

Pay Telephone Dial-Around Call Cost/Compensation

Executive Summary

To quantify the proportionate cost borne by Sprint LTD Public Access (the Sprint LEC-owned deregulated pay telephone entity) to process an average dial-around (including subscriber toll-free) call, Sprint used an approach based on viewing both the minimal and the total costs for the installation and maintenance of an average paystation. Costs were allocated based on the relationship of dial-around calls (messages) to the distribution of messages of all call types from the same average paystation. In this scenario the Public Access business unit is presumed to earn a contribution margin of 15% - which may be modified to accommodate other views of an acceptable earnings level.

Inputs

Costs

When determining total direct payphone costs, Sprint has included five categories of expenses:

Local access, which is the local loop plus associated local charges (SLC charge, Non-pub, International Screening, etc.).

Maintenance, including the repair, refurbishment and management of the payphones.

Depreciation, Sprint's actual net payphone assets total \$24.4M; the assets are depreciated over five years.

Site Owner Compensation, the average amount paid to site owners or location providers for the use of their property (for phone placement). This total was held at Sprint's current average level, rather than increasing it based on expected market pressures.

General & Administrative, costs which represent the salaries and wages of those associated directly with the payphone business. In the Incremental Cost view these costs have been discounted to 30% of their original value to reflect that much G&A expense is associated with the coin collection and counting process.

Usage

The dial-around messages were pulled from Sprint local switching data. The numbers reflect actual dial-around usage from June and the first half of July. The total usage statistics were gathered from total message reporting for the Sprint Actual view, and from APCC data shown in its August 26, 1997, Comments.

Views

To provide accurate cost per dial-around call, four different views are presented: two Industry Average and two Sprint Actual views. These views are presented in detail in the accompanying spreadsheets.

Industry Average

In the first view, only the bare minimum costs associated with running a payphone business are included, to derive the minimum compensation level necessary to support the business unit. However, the capital cost of coin functionality has not been removed from costs assigned to coinless calls.

The second view takes into account all costs association with running and maintaining the deregulated Sprint payphone entity. These costs include direct selling expenses, collection, and advertising.

Sprint Actual

Both views match the industry average views with two exceptions. The number of messages per phone has been reduced from 713 to 477, based on Sprint actual usage figures. Also, the number of dial-around calls per station has been increased from 152 to 171.

Sprint Actual Usage

Exhibit 1

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Usage

	Incremental Cost	Total Cost	
Coin + DA Calls (per phone)	306	306	Industry Average
0-, 00-, 0+ Calls (per phone)	(Included)	(Included)	Industry Average
Subtotal: Compensated Calls	306	306	Industry Average
Dial-Around Calls (per phone)	171	171	Industry Average
Total Calls (per phone)	477	477	Industry Average
Compensated Calls as % of Total	64.2%	64.2%	Industry Average
Dial-Around Calls as % of Total Calls	35.8%	35.8%	Industry Average

Expenses

Local Access	\$ 43.22	\$ 43.22	Hyperion (General Ledger)
Maintenance	\$ 19.62	\$ 19.62	Hyperion (General Ledger)
Collection	\$ -	\$ 7.90	Hyperion (General Ledger)
Depreciation	\$ 6.98	\$ 6.98	Hyperion (General Ledger)
Site Owner Compensation	\$ 14.55	\$ 14.55	Hyperion (General Ledger)
Sales Salaries	\$ -	\$ 2.78	Hyperion (General Ledger)
Sales Commissions	\$ -	\$ 4.31	Hyperion (General Ledger)
General & Admin.	\$ 0.43	\$ 1.42	Hyperion (General Ledger)
TOTAL	\$ 84.80	\$ 100.78	

Note: This analysis assumes all Site Owner Compensation costs allocated to Compensated Calls.

Costs

Allocated to Compensated Calls	\$ 59.61	\$ 69.87	Total Cost * Percentage
Per Compensated Call	\$ 0.195	\$ 0.228	Allocated Cost / Calls
Margin (15%)	\$ 0.029	\$ 0.034	Contribution Amount
Total Per Compensated Call	\$ 0.224	\$ 0.263	Cost + Contribution

Costs

Allocated to Dial-Around Calls	\$ 25.18	\$ 30.91	Total Cost * Percentage
Per Dial Around Call	\$ 0.147	\$ 0.181	Allocated Cost / Calls
Margin (15%)	\$ 0.022	\$ 0.027	Contribution Amount
Total Per Dial-Around Call	\$ 0.169	\$ 0.208	Cost + Contribution

Note: This analysis assumes all Site Owner Compensation costs allocated to all calls.

Costs

Allocated to All Calls	\$ 84.80	\$ 100.78	Total Cost
Per Call	\$ 0.178	\$ 0.211	Total Cost / Calls
Margin (15%)	\$ 0.027	\$ 0.032	Contribution Amount
Total Per Call	\$ 0.204	\$ 0.243	Cost + Contribution

Industry Average Usage

Exhibit 1

Page 3 of 3

Usage

	Incremental Cost	Total Cost	
Coin + DA Calls (per phone)	525	525	Industry Average
0-, 00-, 0+ Calls (per phone)	36	36	Industry Average
Subtotal: Compensated Calls	561	561	Industry Average
Dial-Around Calls (per phone)	152	152	Industry Average
Total Calls (per phone)	713	713	Industry Average
Compensated Calls as % of Total	78.7%	78.7%	Industry Average
Dial-Around Calls as % of Total Calls	21.3%	21.3%	Industry Average

Expenses

Local Access	\$ 43.22	\$ 43.22	Hyperion (General Ledger)
Maintenance	\$ 19.62	\$ 19.62	Hyperion (General Ledger)
Collection	\$ -	\$ 7.90	Hyperion (General Ledger)
Depreciation	\$ 6.98	\$ 6.98	Hyperion (General Ledger)
Site Owner Compensation	\$ 14.55	\$ 14.55	Hyperion (General Ledger)
Sales Salaries	\$ -	\$ 2.78	Hyperion (General Ledger)
Sales Commissions	\$ -	\$ 4.31	Hyperion (General Ledger)
General & Admin.	\$ 0.43	\$ 1.42	Hyperion (General Ledger)
TOTAL	\$ 84.80	\$ 100.78	

Note: This analysis assumes all Site Owner Compensation costs allocated to Compensated Calls.

Costs

Allocated to Compensated Calls	\$ 69.82	\$ 82.40	Total Cost * Percentage
Per Compensated Call	\$ 0.124	\$ 0.147	Allocated Cost / Calls
Margin (15%)	\$ 0.019	\$ 0.022	Contribution Amount
Total Per Compensated Call	\$ 0.143	\$ 0.169	Cost + Contribution

Costs

Allocated to Dial-Around Calls	\$ 14.98	\$ 18.38	Total Cost * Percentage
Per Dial Around Call	\$ 0.099	\$ 0.121	Allocated Cost / Calls
Margin (15%)	\$ 0.015	\$ 0.018	Contribution Amount
Total Per Dial-Around Call	\$ 0.113	\$ 0.139	Cost + Contribution

Note: This analysis assumes all Site Owner Compensation costs allocated to all calls.

Costs

Allocated to All Calls	\$ 84.80	\$ 100.78	Total Cost
Per Call	\$ 0.119	\$ 0.141	Total Cost / Calls
Margin (15%)	\$ 0.018	\$ 0.021	Contribution Amount
Total Per Call	\$ 0.137	\$ 0.163	Cost + Contribution

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing REPLY COMMENTS ON REMAND ISSUES was Hand Delivered or sent by United States first-class mail, postage prepaid, on this the 9th day of September, 1997 to the below-listed parties:

Acting Chief
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Dana Frix
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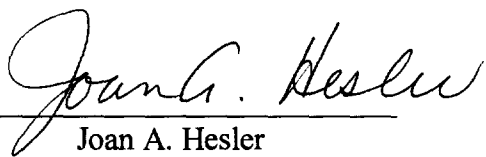
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